

MHI ANNOUNCES OUTLINE OF FY2008 FIRST 3 MONTH FINANCIAL RESULTS
ENDED JUNE 30, 2008 (CONSOLIDATED)

Tokyo, July 31, 2008 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2008 ended June 30, 2008.

(billions of yen)

| | FY2008 First 3 Months (From April 1 to June 30, 2008) | FY2007 First 3 Months (From April 1 to June 30, 2007) |
|--|--|--|
| Orders Received | 1,054.2 | 674.6 |
| Net Sales | 698.3 | 685.7 |
| Operating Income | 22.2 | 24.7 |
| Ordinary Income | 32.9 | 21.4 |
| Income (Loss) Before Taxes and Minority Interests | -0.4 | 27.1 |
| Net Income | 0.1 | 17.0 |
| Operating Cash Flow | 153.9 | - |
| Investment Cash Flow | -42.6 | - |
| Financing Cash Flow | -144.5 | - |
| Net Income Per Share | 0.06 yen | 5.07 yen |

Consolidated financial results (continued)**Sales by Operational Segment**

(billions of yen)

| | FY2008 First 3 Months (From April 1 to June 30, 2008) |
|--|---|
| Shipbuilding & Ocean Development | 71.0 |
| Power Systems | 226.4 |
| Machinery & Steel Structures | 83.7 |
| Aerospace | 99.3 |
| Mass and Medium-Lot Manufactured Machinery | 206.3 |
| Others | 11.4 |
| TOTAL | 698.3 |

Operating Income (Loss) by Operational Segment

(billions of yen)

| | FY2008 First 3 Months (From April 1 to June 30, 2008) |
|--|---|
| Shipbuilding & Ocean Development | 4.8 |
| Power Systems | 13.8 |
| Machinery & Steel Structures | -2.2 |
| Aerospace | -2.5 |
| Mass and Medium-Lot Manufactured Machinery | 6.3 |
| Others | 2.0 |
| TOTAL | 22.2 |

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2008

For the fiscal year 2008 ending March 31, 2009, MHI is expecting 3,200 billion yen in net sales, 120 billion yen in operating income, 90 billion yen in ordinary income and 54 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥100 and €1.00 = ¥150 for the portion yet to be fixed.

This estimate has been projected with currently available information and data. Therefore please be advised that the actual results may diverge broadly with the influence of the variety of the outside factors such as economics surrounding MHI or currency exchange rate fluctuation.

###

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

| | As of Jun.30, 2008 | As of Mar.31, 2008 |
|--|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and deposits | 234,062 | 274,885 |
| Trade receivables | 932,862 | 1,086,580 |
| Securities | 5,806 | 3,569 |
| Finished products | 154,639 | 147,070 |
| Raw materials and supplies | 127,726 | 128,309 |
| Work in process | 951,448 | 889,473 |
| Deferred income taxes | 118,423 | 114,548 |
| Others | 312,590 | 298,125 |
| Allowance for doubtful receivables | (7,156) | (5,677) |
| Total current assets | 2,830,404 | 2,936,886 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 314,247 | 316,559 |
| Machinery and transportation equipment | 269,847 | 272,442 |
| Tools, equipment and furniture | 78,714 | 82,779 |
| Land | 153,068 | 153,615 |
| Leased assets | 126 | - |
| Construction in progress | 50,807 | 50,256 |
| Subtotal | 866,811 | 875,653 |
| Intangible fixed assets: | | |
| Goodwill | 4,182 | 4,926 |
| Others | 22,497 | 24,110 |
| Subtotal | 26,679 | 29,037 |
| Investments and advances: | | |
| Investment securities | 662,588 | 609,248 |
| Long-term loans and advances | 2,760 | 3,119 |
| Deferred income taxes | 7,588 | 7,411 |
| Others | 67,151 | 74,281 |
| Allowance for doubtful accounts | (13,714) | (18,490) |
| Subtotal | 726,374 | 675,570 |
| Total fixed assets | 1,619,865 | 1,580,261 |
| TOTAL ASSETS | 4,450,270 | 4,517,148 |

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Jun.30, 2008 | As of Mar.31, 2008 |
|--|-----------------------|-----------------------|
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Trade payables | 695,314 | 733,500 |
| Bank loans | 77,098 | 233,801 |
| Current portion of long-term debt | 84,651 | 85,416 |
| Current portion of debentures | 40,300 | 40,300 |
| Reserve for product warranties | 21,934 | 23,660 |
| Reserve for losses on construction contracts | 7,591 | 6,893 |
| Advance payments received on contracts | 585,886 | 469,285 |
| Others | 209,335 | 233,037 |
| Total current liabilities | 1,722,112 | 1,825,894 |
| Long-term liabilities: | | |
| Debentures | 285,359 | 286,057 |
| Long-term debt | 713,128 | 719,818 |
| Deferred tax liabilities | 110,741 | 94,134 |
| Reserve for retirement allowance | 95,610 | 89,936 |
| Reserve for treatment of PCB waste | 4,300 | 4,300 |
| Others | 56,711 | 56,577 |
| Total long-term liabilities | 1,265,851 | 1,250,824 |
| TOTAL LIABILITIES | 2,987,964 | 3,076,719 |
| <u>NET ASSETS</u> | | |
| Stockholders' equity: | | |
| Common stock | 265,608 | 265,608 |
| Capital surplus | 203,895 | 203,893 |
| Retained earnings | 774,989 | 787,007 |
| Treasury stock | (5,057) | (5,045) |
| Total stockholders' equity | 1,239,436 | 1,251,464 |
| Valuation, translation adjustments and others: | | |
| Net unrealized gains on investment securities | 185,226 | 157,546 |
| Deferred gains or losses on hedges | 2,375 | 7,346 |
| Foreign currency translation adjustments | (6,624) | 3,847 |
| Total valuation, translation adjustments and others | 180,977 | 168,739 |
| Share subscription rights | 549 | 549 |
| Minority interests | 41,342 | 19,676 |
| TOTAL NET ASSETS | 1,462,305 | 1,440,429 |
| TOTAL LIABILITIES AND NET ASSETS | 4,450,270 | 4,517,148 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2008 First 3 Months (From Apr.1 to Jun.30, 2008) |
|--|--|
| Net sales | 698,342 |
| Cost of sales | 599,257 |
| Gross profit | 99,084 |
| Selling, general and administrative expenses: | |
| Provision of allowance for doubtful accounts | 4 |
| Directors' compensations, salaries and allowances | 30,131 |
| Research and development expenses | 10,797 |
| Expenses for inquiries | 5,761 |
| Others | 30,119 |
| Total selling, general and administrative expenses | 76,814 |
| Operating income | 22,270 |
| Non-operating income: | |
| Interest income | 1,609 |
| Dividend income | 3,988 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 1,846 |
| Foreign exchange gain | 9,854 |
| Others | 1,692 |
| Total non-operating income | 18,991 |
| Non-operating expenses: | |
| Interest expense | 4,934 |
| Loss on disposal of fixed assets | 844 |
| Others | 2,525 |
| Total non-operating expenses | 8,304 |
| Ordinary income | 32,957 |
| Extraordinary loss: | |
| Effect of the application of the accounting standard for measurement of inventories | 33,436 |
| Total extraordinary loss | 33,436 |
| Loss before income taxes and minority interests | (478) |
| Income taxes | (177) |
| Minority interests | (491) |
| Net income | 189 |

Reference

Financial Statements for the First Quarter of the Previous Fiscal Year

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2007 First 3 Months (From Apr 1 to Jun 30, 2007) |
|---|---|
| Net sales | 685,710 |
| Cost of sales | 590,546 |
| Gross profit | 95,164 |
| Selling, general and administrative expenses | 70,418 |
| Operating income | 24,745 |
| Non-operating income: | |
| Interest and dividend income | 5,365 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 667 |
| Other income | 1,638 |
| Total non-operating income | 7,671 |
| Non-operating expenses: | |
| Interest expense | 4,721 |
| Foreign exchange losses | 3,396 |
| Other expenses | 2,833 |
| Total non-operating expenses | 10,950 |
| Ordinary income | 21,466 |
| Extraordinary income: | |
| Gains on sales of fixed assets | 5,721 |
| Total extraordinary income | 5,721 |
| Income before income taxes and minority interests | 27,188 |
| Income taxes | 10,241 |
| Minority interests | (76) |
| Net income | 17,023 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

| | Three months ended Jun. 30, 2008 |
|---|-------------------------------------|
| Cash flows from operating activities: | |
| Loss before income taxes and minority interests | (478) |
| Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities | |
| Depreciation and amortization | 33,242 |
| Increase in reserve for retirement allowance | 5,836 |
| Interest and dividend income | (5,597) |
| Interest expense | 4,934 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (1,846) |
| Losses on disposal of fixed assets | 844 |
| (Increase) decrease in receivables | 136,461 |
| (Increase) decrease in inventories and advances to suppliers | (91,966) |
| (Increase) decrease in other assets | (16,801) |
| Increase (decrease) in payables | (25,263) |
| Increase (decrease) in advance payments received on contracts | 126,702 |
| Increase (decrease) in other liabilities | 26,451 |
| Others | (5,692) |
| Subtotal | 186,826 |
| Interest and dividends received | 5,966 |
| Interest paid | (4,366) |
| Payments for income taxes | (34,469) |
| Net cash provided by operating activities | 153,957 |
| Cash flows from investing activities: | |
| Net decrease in time deposits | 505 |
| Proceeds from sales and redemption of marketable securities | 21 |
| Purchases of property, plant, equipment and intangible assets | (35,989) |
| Proceeds from sales of property, plant, equipment and intangible assets | 1,819 |
| Purchases of investment securities | (10,555) |
| Proceeds from sales and redemption of investment securities | 95 |
| Disbursement of long-term loans | (11) |
| Collection of long-term loans | 1,402 |
| Others | 80 |
| Net cash used in investing activities | (42,632) |
| Cash flows from financing activities: | |
| Net decrease in bank loans | (153,590) |
| Proceeds from long-term debt | 3,991 |
| Repayment of long-term debt | (8,400) |
| Proceeds from issuance of stock to minority stockholders of subsidiaries | 23,486 |
| Dividends paid to stockholders | (9,520) |
| Dividends paid to minority stockholders of subsidiaries | (489) |
| Others | (12) |
| Net cash provided by (used in) financing activities | (144,536) |
| Effect of exchange rate changes on cash and cash equivalents | (4,997) |
| Net decrease in cash and cash equivalents | (38,209) |
| Cash and cash equivalents at beginning of year | 262,852 |
| Cash and cash equivalents at end of period | 224,642 |